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Segment: Planning Your Retirement Webinar
Guests: Jim Cale and Laurie Daniels

Video Transcript

Speaker (Craig):
Thank you again for joining us on “Planning Your Retirement.” And without any further delay, it’s my pleasure to hand the floor to our first presenter, Jim Cale. And Jim, you now have the floor.

Jim Cale:
Thank you, Craig. And I’d like to thank everyone for joining us today and welcome to the “Planning Your Retirement” webinar. We’re exciting to have so many participating in this class this morning. We’ll be covering information to help you plan for your CalPERS retirement. Working with me today and handling the presentation is Laurie Daniels. And Laurie, what are the topics we’re going to be covering today?

Laurie Daniels:
Good morning everyone. Our agenda today is we’re going to be covering several topics including the different types of retirement, and the three factors that are used to calculate your retirement benefit. We’ll also discuss the different retirement options and survivor continuance along with information about the cost of living adjustment or COLA, establishing a power of attorney, retiree benefits, and working after retirement. And lastly, we’re going to cover some online resources and how to contact CalPERS.

Jim Cale:
Before we move into these topics, we’d like to clarify the question and answer process for today’s webinar. We’re gonna make every effort to answer the general questions you ask today. However, due to the length of the material and topics, this may not be feasible. So if we don’t answer your question during the presentation, we’ll post them, post the answers later on the website so you’ll want to check back to see when those are posted. So there’s several key points we’d like you to keep in mind about the question and answer process to help us streamline this and make sure we can get you the answers you need. Please hold your questions until after we’ve covered the topic your question concerns. For instance if you have a question on service credit, please wait and see if we answer your question during the service credit section of the presentation. If we don’t cover your question, then go ahead and submit your question with the question and answer process that Craig just went over.

Laurie Daniels:
Please keep your questions on the covered topics. Because of the volume of the questions and there are thousands of people registered for this webinar, we

won't be able to answer questions on topics that are not covered in this presentation.

Jim Cale:
And we won't be able to answer any specific questions of a personal nature that would require knowledge of your employer's contract. During the presentation, we will explain various ways to contact CalPERS to get any questions answered that we can't respond to in this particular forum.

Laurie Daniels:
And then finally, keep in mind that we at CalPERS are not financial or tax advisors. This means that we can explain how the retirement process works, but we can't tell you what is best, the best choice for you and what's gonna be beneficial for your retirement needs. Therefore, before you finalize your retirement, it's important that you possibly talk with a tax advisor, a financial planner or some other qualified professional.

Jim Cale:
All right. And before we get into the topics themselves, let's do a poll question. So have you ever participated in a CalPERS educational class or event? So first choice, no this is your first one, yes you've taken one of our online classes, yes you've been to an instructor-led class, yes you've been to one of our retirement planning fairs, or last, you've actually participated in more than one event. So it looks like for the majority of the people we're seeing, this is the first CalPERS event you've been to. Excellent. Got quite a few people who've been to our instructor-led classes. Almost a quarter of the respondents I'm seeing here. But for most of you, this is your first event and that's good. This is a good place to start. All right. Doesn't look like we're getting a whole lot more responses to this question. Looks like just about half of you this is your first class. So that's good. So let's move on. So Laurie introduced the topics we'll be talking about today so let's get into the first topic, the different retirement types that CalPERS offers.

CalPERS actually offers three different types of retirement to serve our members. Service retirement is considered the normal or regular retirement for members who have met the eligibility requirements. Disability retirement is for members who can no longer perform their jobs due to illness or injury. The illness or injury does not have to be job-related. Members with industrial disability retirement. This is for safety members or whose employers contract for this benefit. In order to quality for industrial disability retirement, the disability does need to be job-related. And it has to of course make them unable to perform the duties they were hired to do. So the service retirement, to be eligible for this, you have to be at least 50 years old and have five years of earned service credit. The exception to that rule is for State second tier employees. You have to be at least 55 years old with ten years of service credit. Or if you have five years of service prior to 1985 who have elected into first tier, you'll be eligible. If you work as a part-time employee, you may also qualify to apply for retirement with less than five years of service credit through a partial service conversation. To be eligible to apply for a disability retirement, you can be of any age but you have to have at least five earned years of service credit. And again, the disability has to keep you from doing the duties of your job, it does not have to be job-related in this instance. Last is the industrial disability retirement. And this is usually only available to safety employees such as police officers and firefighters. Miscellaneous employees rarely are eligible for an industrial disability retirement. It's only available if your employer contracts for the benefit. For an industrial disability retirement, you can be of any age and there's no minimum amount of service required. However, the disability has to be job-related. For more information about disability or industrial disability retirements, you can order our publication 35, which is the Disability Retirement Election Application.

So now that we've discussed the three types of retirement available, let's take a look at how we calculate a service retirement allowance. And that's the type of retirement that most of us are going to be eligible for. There's three factors that CalPERS uses to calculate your retirement, as you can see on this slide here. There's service credit, which is your total years of service. There's the benefit factor and that's the percentage of pay you're entitled to for each year of service credit that you've earned. It's based on your age at retirement. And lastly, there's the final compensation, and that's the consecutive average of your highest monthly pay rate. When you retire, CalPERS is going to multiply your years of service credit by your benefit factor, and then multiply that result by your final compensation. And that's going to give your unmodified allowance which is your basic pension and the highest amount you can receive when you retire. We're going to review each of these factors in more detail over the coming slides and discuss how you can maximize your retirement benefit using these factors. But before we get into those, Laurie, have we got any questions in yet?

Laurie Daniels:
Looks like we do. I have one question about disability retirement. What qualifies for a disability retirement?

Jim Cale:
All right, I'll go ahead and handle that one. If you're a CalPERS member who has five years of service and has an injury or illness that's permanent or expected to last longer than six months, then you may be eligible for a disability retirement, if the disability prevents you from performing your job duties.

Laurie Daniels:
Okay, I have another question. This is from a police officer. It says "I'm a police officer and I was injured on my job. I was informed by the City that they are the ones who approve my industrial disability retirement. Is that correct?" And the answer's yes. The determination for an industrial disability retirement for a public agency safety member, is made by the local governing body. So it's not made by CalPERS. Your employer's going to submit its decision and that's actually called

a resolution. They're gonna submit that to CalPERS. You still need to complete a disability application and submit that to us because you're still gonna be choosing your option, and naming your beneficiary. So you'll still need to do that.

Jim Cale:
All right. Looks like we have another question here. "I may be laid off by my employer. If I retire, can I collect both a pension and unemployment benefits?" Do you want to handle that one Laurie?

Laurie Daniels:
Sure. You know, unfortunately we can't address the criteria for collecting unemployment benefits. As long as you qualify for retirement from us, you can go ahead and retire. But you will need to contact I believe it's the Employment Development Department or EDD, to find out whether you can still collect unemployment benefits while you're drawing your retirement. So you'll need to check with them on that.

Jim Cale:
All right. Thank you Laurie. So now that we've covered the first factor, now that we've covered the different retirement types, let's go into the three factors that make up the pension calculation and we'll start with the first one which is service credit.

Service credit is earned during your time on the job under a CalPERS-covered employer. There's also different types of service credit options that you may be eligible to purchase. But first let's talk about how service credit is earned. Service credit is earned on a fiscal year basis from July 1 through June 30th each year. The amount of service credit you earn depends on your time base. For full time employees, you earn 1/10th of a year of service credit for each full time month that you work. So you only have to work 10 months full time employment in the fiscal year to earn one year of service credit. And we define full time employment as 40 hours per week. Part time or hourly employees will earn service credit in direct proportion to the number of hours they work. For them, 1720 hours in the fiscal year equals one full year of service credit. Anything less than that would be credited as a partial year. And this is a little easier to understand if you see if laid out on a calendar, so that's what we've got here. This is an example of how service credit is earned on a fiscal year basis. So you see we start on July, which is the beginning of the fiscal year, July 1st, if you work full time through the month of July, you earn 1/10th of a year of service credit. You continue working full time through the rest of the fiscal year, again you earn a 10th of a year for each full time month that you work, until you've worked 10 months full time at the end of April where you've got your one year of service credit. And notice in this example that you don't earn any additional service credit in May and June because you can't earn more than one year of service credit in any fiscal year. So this is the situation you run into when you've worked for your CalPERS employer for awhile. You come to the new fiscal year, you start earning service credit, you're working full time at the end of April, you'll have a full year of service credit, you float through May and June, come to the new fiscal year and start the whole thing all over again. But what about that first year you came to work for your initial CalPERS employer? Most of us didn't conveniently didn't start working at the beginning of the fiscal year like the previous example. So here we've got an example of a member in their first job at CalPERS, they started for a CalPERS employer, they started working in the middle of November. See they didn't work in the first four months of the fiscal year there, they started working November 15th. So they worked full time for the second half of November. They earn .05 years of service credit for the half month of full time work. They continue working for the rest of the fiscal year, again a 1/10th of a year for each full time month worked. They get to the end of the fiscal year in June, they'll have .75 years of service credit, ¾ of a year. And notice we continue to earn service credit in May and June in this example because we hadn't capped out at the full year yet. So this is what an initial year might look like and this explains why you may see a fractional part of a year on your service credit balance when you look on your annual member statement. So if this member looked at their first annual member statement, they might see .75 years of service credit, the next annual member statement will be 1.75, then 2.75 and so on.

There are also some types of service credit that you can purchased. And we're gonna start going through those now. Some of the most common types are redeposited withdrawn contributions, and this is if you work for a CalPERS employer in the past, left that job and when you left you withdrew all your contributions. Now that you're a member again, you may be eligible to redeposit those contributions plus interest and buy that time back. Then there's service prior to membership. This is if you work for a CalPERS employer but you didn't work enough hours to qualify for CalPERS membership. Such as if you were in a permanent intermittent, part time, temporary, on call or seasonal position. Now that you're a member, you may be eligible to purchase that time, and the cost would be based on your salary and contribution rate when you first become a CalPERS member, plus accrued interest. Military service credit is time you can purchase that corresponds to time you spent in active duty, military service prior to CalPERS membership. All state and school employers, as well as public agencies and employer contracts for this benefit may be eligible. There's very specific eligibility requirements for purchasing military service credit. And if you're eligible, you can purchase a maximum of four years. And the last one we have on this slide is additional retirement service credit or ARSC. Many people call this air time, and this is probably the most common type of service credit purchase that we see. What it allows you to do is it allows active CalPERS members with at least five years of earned CalPERS service credit to purchase up to five additional years. As long as you're eligible, you can make this purchase at any time prior to retirement. You can purchase from one to five years in whole year increments, they don't let you purchase partial years. And this is also a one time election. So you only get one shot at it. So if you purchase two years early in your career, you're not gonna be able to come back and buy the other three later on. And ARSC will only increase you the years of service, it cannot be used for health benefits or retirement vesting requirements.

Now the cost for both military and additional retirement service credit is based on your actuarial lifetime. What that means is that you pay the full present value cost of the projected benefits based on your current age, retirement formula and pay rate. The employer is not contributing towards the cost of this benefit. You're paying for the whole thing. That's in fact intended to be cost neutral to your employer. And this can make it difficult to determine whether or not the benefit exceeds the cost in any given case, so if you're considering purchasing ARSC or military time, you may want to consult a tax or financial planning expert.

And then there's some less common types of service credit that you may be able to purchase. For instance, prior service with a California public agency before they came under contract with CalPERS might qualify. As well as time spent in the Peace Corps or the AmeriCorps Vista, or AmeriCorps. Certain types of leaves of absence might qualify such as a maternity or paternity leave, and a temporary disability leave. Time spent away from work to do a formal layoff may be eligible, as well as optional member service which is time spent working in certain exempt appointed or elected positions that allow employees the option of joining CalPERS.

So let's try another poll question. "Have you ever purchased service credit?" First answer, yes you have, second no you haven't, third you didn't know you could purchase service credit, and last you're in the process now.

Laurie Daniels:
Jim, we do have some questions that have come in so while they're taking your poll we can answer some of those. Good one, "when is the earliest I can retire?" Jim do you want to take that one?

Jim Cale:
Certainly. For most people, the earliest age you can retire is 50 years old with five years of CalPERS service credit. And as we mentioned earlier, the exception to that is state second tier members who must be age 55 with ten years of service credit. And again if you're a part-time employee with less than five years of CalPERS service credit, as long as you've worked five continuous years or more part time, you may still be eligible to retire. For example, if you've been with your employer in CalPERS membership for six years, but since you are part time, only have three years of service credit earned, you could still try and apply for a retirement under a partial service conversion.

Laurie Daniels:
Okay.

Jim Cale:
Let's see, here's another question. "Can I buy both my military time and the five years of air time which we call additional retirement service credit?"

Laurie Daniels:
I can answer that one. That's a good one. Yes you can. Basically military and the additional retirement service credit are two different types of service credit. So buying one doesn't stop you from buying the other. So that's a good thing, and that's pretty much the case in any type of service credit that you're looking at purchasing is if you were doing a redeposit, it's not going to stop you from buying your military or the reverse, you know the reverse of that.

Jim Cale:
Exactly. Purchasing one type doesn't stop you from purchasing any of the others. All right, one more question before we move on here. "How do I find out if I can purchase my nine months of temporary service. I worked for the State of California back in 1978." And you want to grab that one Laurie?

Laurie Daniels:
Sure. This time is probably considered service prior to membership. And again that's time working for a CalPERS-covered employer before becoming a CalPERS member. There is a form that you can complete, it's the "Request for Service Credit Information." And it's the service prior to membership data and fellowship form. And that can be found in our forms and publications, on the forms and publications center in CalPERS On-line.

Jim Cale:
All right. Thank you Laurie. And it looks like most of these have not purchased any service credit yet. We're getting a little less than a quarter of our respondents have purchased service credit. Right about ¾ haven't and then a few, very few didn't know they could or are in the process now. All right. So let's move on to the service credit purchase process.

To start the process, your first step is to download and read the "Service Credit Purchase Options" booklet for the eligibility requirements, and that's available at our website at our forms and publications center. The next step in purchasing service credit is to use our service credit cost estimator at CalPERS On-line. This is a self-service tool that doesn't require any user ID and password. And the calculator will give you a ballpark figure of the cost to purchase service credit. And you can take a look at this calculation and help, it'll help you decide if you want to go forward with the process. Once you've reviewed your online calculation, your last step would be to submit a cost calculation request form to CalPERS. The cost calculation request forms and instructions are all available online at our forms and publications center, and also, except for the ARSC form, they're included in our publication "A Guide to Your CalPERS Service Credit Purchase Options" which is again available at the forms and pubs center. The

ARSC request form itself, you need to download that individually. Now once you submit that cost request form, we are going to review your eligibility, and if you are eligible we will send you out a purchase package. Now there's still no obligation to buy at this point. You're not obligated until you sign on the dotted line. So when you get that package you'll want to review it carefully. It contains all the purchase instructions, the cost and all the necessary election forms and roll over certification documents. You'll need to select your payment method. There's actually three ways you can pay for your service credit purchase. You can pay for it all at once in a lump sum, a single payment. You can make monthly payments up to 180 months which is 15 years. And those payments can continue into retirement. And then you can do a combination of the two. You can do a partial lump sum with payments on the balance. In many cases, you can also use funds from a qualified tax deferred plan such as a 401K, 457 or an IRA to make the payment with a plan-to-plan transfer. When electing to purchase service credit, CalPERS must receive the information, all the election documents, within 60 days from the date printed on the inside cover of the package. It does have an expiration date. And this would include the election form, payment and roll over documents if applicable. Once CalPERS has received your election to purchase service credit, it can take us anywhere from six to nine months to credit the service credit to your account, and we will credit the entire amount of service credit you elect to purchase to your account even if you have not paid for it in full yet.

And there is one last way you may be eligible to increase your service credit balance at retirement, and that's with unused sick leave. The ability to convert sick leave service credit is available to all state and school members. Public agency employers must contract for this benefit for their members. Sick leave service credit does not change your age at retirement or your retirement effective date. It simply increases the amount of service credit CalPERS uses in determining your retirement benefit. The sick leave service credit conversion benefit is not something you have to purchase. If it is in your contract, as we just described, then your unused sick leave at retirement will convert into service credit. To qualify, your retirement effective date must be within 120 days of your separation from employment. What that means as an example if you left your CalPERS employer when you're 48 years old, which is too young to retire, but you left all your money in the system, and then came back and applied for a retirement allowance when you were 50, which you'd be able to do, your former employer would no longer provide the sick leave benefit because you're outside that 120 day window. You need to take your retirement application to your employer to certify the amount of your unused sick leave. It's your responsibility to make sure that CalPERS is notified of your accrued sick leave at the time of retirement. Other types of leave balances such as vacation, compensatory time off, sometimes called CTO, personal or annual leave and holiday credits cannot be converted to sick leave, or cannot be converted to service credit at retirement. If you have unused vacation or other leave, you can either receive a lump sum payout or use the time up before you retire. So you want to contact your personnel or Human Resources department about their policies on when and how you can use your leave time prior to retirement. If they do let you run your leave balances out, you'll still be on active payroll so you're still earning service credit during that time. There's no minimum or maximum amount of sick leave time that may be reported by your employer. There's no particular increment that has to be used. But since we used years of service credit in the pension calculation, to get an idea of how much you're unused sick leave may boost your pension, you'll want to convert your sick leave hours into years and here's how you do it. Taking your number of sick leave hours you have at retirement and divide that by 8 to get your sick leave time in days. Then take your sick leave time in days and multiple that by .004 to determine your sick leave in years. So we have an example on this slide here. A member has 2000 hours of sick leave at retirement, unused sick leave. Divide that by 8, that gets them 250 days of sick leave. Multiply that 250 days by .004 and that equals one year of service credit. So that's the process for converting the hours into, into years of service credit and you can see from this example, the 2000 hours would equal, 2000 hours of unused sick leave would equal one year of service credit.

All right. So that is the first two factors that go into our pension calculation, I'm sorry the first factor that goes into pension calculation. Now let's move on to the second, which is retirement formulas and benefit factors.

Your retirement formula is based on your employer's contract with CalPERS and determines the range of benefit factors that are available to you. In here we have a list of the formulas available for state miscellaneous and industrial employees, state safety and school members. And here we have the formulas available to public agency employers. Public agencies are able to change their retirement formulas by amending the contract with CalPERS. If you're unsure of your formula, you can find it on your annual member statement or you can ask your employer. No matter what formula your employer contracts for, they all start at age 50. The benefit factors all start at age 50. Then they go up to the maximum age under the formula. So your benefit factor increases with each quarter year of age until you reach your maximum age under the formula. The benefit factor is determined by the retirement formula which your employer contracts and your age at retirement. And we'll explain that a little bit further in just a little bit. And the benefit factor determines the actual percentage of pay that you're gonna get for each year of service credit that you've earned at retirement. To calculate your percentage of final compensation, we will multiple your benefit factor by your years of service. And as I just mentioned, your benefit factor increases each quarter year of age, so we have an example on the slide here that explains how that works. So there's four days throughout the year when your benefit factor increases to a higher level. It's based on your birthday as you can see here. So we're seeing a member that has a birthday of March 10th so that's their first birthday quarter. Add three months onto that to get the second birthday quarter, and in this example June 10th. Three more months onto that, their next birthday quarter September 10th. Three more months on to that, and the last birthday quarter is December 10th. So you may want to choose a retirement date that coincides with one of your birthday quarters in order to receive a higher percentage of your final compensation. And you need to retire on or after the birthday quarter to receive that increased benefit factor. Now when you reach the maximum age under your formula, your benefit factor no longer increases but you can still increase your amount of service credit and/or rate of pay which could increase your monthly benefit. State and local safety members working under the 3% at 50 formula do not need to consider birthday quarters because their retirement formula is fixed at 3% and therefore does not change with age. There's an exception to just about every rule. So here we have an example of a state and school 2% 55 benefit factor chart. So we're going to take a close look at this slide so you can understand how this thing works and what it's telling us. Now don't worry if you're not working under this formula, your chart will look a little different. Your percentages will be a little different but the concepts are the same. Now notice along the top of the chart there's a line for birthday quarters. We're using the same dates as in the example on the previous slide. To find your benefit factor you'd want to use your own birthday quarters in here. The column on the left side is your age at retirement. Notice it starts at age 50, the earliest retirement age, and then increases up to the maximum age under the formula which is in this case 63. Once you've reached the maximum age, your benefit factor will no longer increase. And again that doesn't mean your pension can no longer increase. You can still boost your pension by increasing one of the other two factors, your service credit or final compensation. Now, we have highlighted on this chart the benefit factors for age 55. So if a member were retiring on their 55th birthday, you can see they get an even 2% benefit factor. If you continue along the highlighted line, to the highlighted column, if they waited another six months to retire after their birthday until September 10th, their half year benefit factor, you see they increase their benefit factor to 2.032%. And it's important to remember that if they want the benefit of the higher factor, you have to retire on or after the birthday quarter to get it. So in this example, if that member missed that 9/10 birthday quarter by just one day and retired on September 9th, they'd stay back in the previous column. So you have to retire on or after the birthday quarter to get it. Now to find the chart for your formula, you can download your member booklet from our website at the forms and publications center. The member booklets are titled "Your Benefits, Your Future." There are five different versions depending on your employment category. So we have a benefit booklet for local miscellaneous employees, for local safety, state miscellaneous and industrial, state safety and school employees.

Now let's talk about final compensation, the third and final factor in the pension calculation. Before we get into final compensation itself, it will be helpful to define what compensation is. And then we can start talking about final compensation. Compensation is defined as payment to employees for service performed during normal work hours or for time during which employee uses, uses leave balances such as vacation, compensatory time off, sick leave or something like that. Your employer reports your full time pay rate to CalPERS even if you are working part time since it's the full time base pay rate that is used to calculate your final compensation. The base pay rate may include items of special compensation that can be reported in addition to your base pay rate. For full time employees, certain types of pay such as overtime are not reportable to CalPERS. So you want to check with your employer to find out what types of pay are being reported for you. The final compensation calculation is based on your highest monthly full time base pay rate. It is not based on your earnings. As an example, if you were working half time in a position where the full time pay rate was $3,000 a month, but you're only earning $1,500 a month because you're working half time, your employer's still going to report that $3,000 pay rate to CalPERS because that's what we're going to use to calculate your final compensation. And we'll capture the fact that you're only working half time because you'll only be earning service credit on a half time basis. And the converse of that is true as well. If you're full time pay rate is $3,000 a month, but you're earning much more than that because you're earning a lot of overtime, the overtime is not reportable. Your employer will still report the $3,000 base pay rate to CalPERS. And that's what we're going to use to calculate the final compensation. Final compensation is the calculated average of your full time base pay rate as reported by your employer. For safety members, there's a cap on the percentage of final compensation you can receive, which is usually 90%, sometimes it's 80. For all other members, there's no limit on your percentage of final compensation that you can receive in retirement. The final compensation period used in the retirement calculation is determined by your employer's contract. Schools use a 12 month final compensation period, the state and public agencies use either a 12 or 36 month consecutive period, depending on the contract. The final compensation for school employees who are 10 or 11 months in a year will be calculated based on the actual number of months they worked in that 12 month period. And this is going to lower their final compensation.

And we have another poll question. What final compensation period does your employer provide? 12 months, 36 months or you're not sure? Looks like most people are 12 months final compensation period. We have a few here at 36 months, and a little over a third it looks like you're not sure what your employer is providing or contracting for. So you might want to ask them to find out. And while we're working on that poll Laurie, do we have ore questions coming in?

Laurie Daniels:
We do have another question. This one is "why is the final compensation on my retirement estimate lower than it should be?" I can go ahead and take that one. I'll give you the next one. Final compensation is again based on your pay rate as reported by your employer and we're gonna use the highest 12 or 36 consecutive months depending on your employer's contract. And if your highest period is your last 12 or 36 month period, then there may be instances where late reporting may include a raise in pay or special compensation, so we wouldn't

have that information. So since it's not yet been reported, it won't initially be used. There can also be pay raises or service credit not posted at the time you retire. And so we would want, there would be an adjustment down the road, several months down the road, once we get all of that information in. And that would be paid retroactively back to your retirement date.

Jim Cale:
All right.

Laurie Daniels:
Do you want to take the next one?

Jim Cale:
Yeah let's see here. "My employer says I can't apply all of my sick leave to my retirement. Why not?" Well it depends on your employer. All state and school employees can have their unused sick leave converted to service credit. However, if you work for a public agency like a city or a county or special district that offers this contracted benefit, they may limit the amount of sick leave that can be reported to retirement. So some employers may cash out a portion of it and allow you to apply the rest to your service credit balance at retirement. And if your employer pays you out for a portion, that portion cannot be reported to CalPERS as service credit. And let's see. On the poll, looks like a little over half are 12 months, and we've got about 10% more or less at 36 months and a little over a third aren't sure. So you might want to consult with your employer to see what period they contract for.

Let's take a look at a final compensation calculation example. We're gonna do a 12 month final compensation example because it's easier. 36 month is the exact same process, it's a simple straight forward average. There's just more of it because it's a longer period of time. So the first thing we're gonna do, we're gonna start at the member's retirement date which in this example is November, November 1st, 2012. And then we're gonna go back a year prior to that date and start the calculation there, November 1st, 2011. So you can see for the first six months of that period, November 1st through April 30th, the pay rate was $2,900 a month. So multiple that times six months to get a subtotal of $17,400. Then on May 1st they got a pay increase. Kind of nice. So for the second six months of this period, they were earning $3,100 a month, we multiply that times the six months for an $18,600 subtotal. Excuse me. We add those two subtotals together to get the total for the 12 month period of $36,000, divide that by 12, and that gives an average final compensation number of $3,000. Now looking at this example, you can see a way that this member could increase their final compensation amount. If they were to work another six months at that higher $3,100 pay rate, they could boost their final compensation average up to $3,100. And we'll come back to that idea a little bit later when we look at an example a few slides down the road.

Now let's talk about the final compensation adjustment. If your service is coordinated with social security, which means you contribute to social security under a CalPERS employer, the amount of your CalPERS contribution is not based on your full monthly earnings. There is an exclusion amount. That means you're not paying into CalPERS on the full amount of your income. Therefore, the full earnings are not used in your pension calculation. There's a one time adjustment of $133.33 to your final compensation. This adjustment is the same no matter how much you earn and again it's adjusted to your final compensation, not to your benefit. And there's no adjustment made if your service is not coordinated with social security. So why do we make this adjustment? Well back in the 1960s, when social security was first coordinated with the state system, they passed a law that exempted the first 1/3 of maximum social security earnings from CalPERS contributions. Back then, maximum social security earnings were $400 a month, the first 1/3 of $400 is $133.33, and it's been that way ever since. And again it's a one time deduction in your calculation. It's automatically calculated in the CalPERS generated retirement estimates that you can order from us. So if you order an estimate from us and you see the estimated amounts for the various retirement options, if applicable, the $133 has already been deducted during the calculation from those numbers. You do not need to deduct it again. And again, in similar vein, it's not a monthly deduction to your retirement check. However, of course, that one-time reduction during the calculation will reduce your retirement benefit. So here's an example of how it works. There we go. We take that average final compensation calculation we just did of $3,000. We subtract off the $133.33 because this member contributes to social security, and that leaves us with an adjusted final compensation factor that we use in the pension calculation of $2,866.67. And if there's employment with no social security, then it's not, we don't make the adjustment. And so you can see that on the slide here as well. And this also highlights the possibility of a split calculation. If you have multiple CalPERS employers throughout your career, you may have some service that is coordinated with social security, and some service that is not. So we're only going to make the adjustment for time that is coordinated with social security when you're making that social security payments. So you can see here in this slide, it's also a straight split calculation. We'll make the adjustment for the time coordinated with social security, we won't make the adjustment for time that does not coordinate with social security. So we've talked about the three factors that are used to calculate your pension. So let's put them all together in an example calculation and see what it looks like.

A quick review first. CalPERS is a defined benefit plan, when you become eligible, it will provide you with a lifetime retirement pension that you cannot outlive. The retirement calculation is based on a formula, it's not based on how much you contribute in to the plan. Believe it or not, the amount you're contributing has nothing to do with what you're going to get on your pension. It's based on that formula we reviewed earlier in the presentation. The three factors in this formula are your years of service credit, your benefit factor based on your age at retirement, and your final compensation. We multiple these three factors together to come up with your retirement pension. So any increase in one or more of these factors could mean a higher pension at retirement. And here we've got a couple of example calculations. In the first example, in the top box there, we're assuming the member has 25 years of service at retirement, and they've got a 2% benefit factor based on their age at retirement. So we'll multiple the 25 years times the 2% benefit factor, which will give them 50% of their final compensation. We then multiply the 50% final compensation percentage times the final compensation average of $2,866.67, so that leaves this member with an unmodified allowance, which is the basic pension, of $1,433.33. That amount would be payable every month for the rest of their life.

In the second box down at the bottom of the slide, we're asking the question what would happen if this member waited another six months to retire. How would that affect their pension? So you can see by waiting another six months, they actually were able to increase all three of their factors. They increased their service credit up to 25.6 years by waiting another six months. The benefit factor increased to 2.032%. Multiply those two numbers, it's an increased percentage of final compensation of 52.02%. And remember, they worked for, during the final compensation calculation example, the 12 month example, we suggested they might want to wait another six months to retire. Well we're assuming here that they did that. And we adjusted the $133 off the $3,100 average, for a final compensation factor of $2,966.67. You multiply that times the 52% final compensation percentage, and they get an unmodified allowance of $1,543.26. That's an increase of about $110 a month. And that might not seem like a huge amount but you have to remember that increase starts with the very first pension payment and continues every month for the rest of the member's life. So over the years, that can really add up. So you can see by this example, that when you choose to retire can have a significant affect on your retirement income. So you want to make that decision carefully.

And let's do another poll question. How many years of service credit do you expect to have when you retire? Five years, 6-10 years, 11-20 years, 21-30 years, 31 or over, or you're not sure. And Laurie we have more questions coming in?

Laurie Daniels:
We do. We have "what is the social security reduction?"

Jim Cale:
I'll go ahead and take that one. Okay, the social security reduction, this is what we talked about on the final compensation adjustment. We actually don't like the term social security reduction. It kind of sounds like you're being penalized for paying social security and that's not what's going on. What happens during the final compensation reduction or adjustment as we talked about, because people who pay social security are not paying into CalPERS on the full amount of their earnings, we don't use the full amount of your earnings in the pension

calculation. There's that $133.33 adjustment. And again, if you don't pay into social security, you don't have to worry about that at all. We won't make the adjustment if you don't pay into social security.

Laurie Daniels:
We have another question, I can go ahead and take this one. I have somebody, they're in second tier and they want to know how they can get into first tier. And it's pretty easy. There's an election form that you'll need to request from CalPERS to convert second tier service into first tier. And you can request that form or that package, it's actually called a "Second Tier Conversion Election and Information Package." You'll need to contact CalPERS directly. This isn't something that's available out on the website. So you can call us using our toll free number or by submitting a request through online through Ask CalPERS. And again this package is going to give you all the information you need to convert that time, including the cost, the benefit estimates and the payment schedules and all that good stuff. So, there you go.

Jim Cale:
Thank you Laurie. And it looks like on this poll, we don't have a clear majority for any one time period. Roughly 4 out of 10 looks like you're going to have 21 to 30 years, a quarter are going to have 31 years and more. That'll make for a decent pension. Not quite a quarter of our respondents are 11 to 20 years, and a few here and there for the others. All right. Pretty good response.

So let's move on to the next topic. We're gonna move on to options and survivor continuance and for this portion of the presentation I'm going to hand it over to Laurie Daniels. Thank you Laurie.

Laurie Daniels:
Thank you. Hello everyone. Again, excited that you are with us. This hopefully isn't such dry information that you're falling asleep, we want to make sure you're staying awake and just getting all the information that you need so that you can look at some of the personal scenarios or situations that affect you. And so we're gonna go ahead and we're gonna talk about the payment options, but first we actually need to define some terms. For most of us, the terms beneficiary and survivor sound like the same thing. But at CalPERS they actually do have two very distinct meanings so I want to explain what those are. First beneficiary can be anyone you choose and it's not set by law. And you'll want to note though that if you are married or in a registered domestic partnership, but don't name your spouse or partner as your beneficiary, there may be a community property issue or share that they'll be entitled to. So, just be aware of that. Now on the other hand, although a beneficiary can be anyone, a survivor is defined by law so state law will determine who if anyone would receive those benefits. So let's start with the survivor continuance. This is a monthly benefit paid after your death in retirement to an eligible survivor. This is an employer paid benefit so there is no out-of-pocket costs to you for this benefit to be provided. Survivor

continuance is provided by law to all state and school members. Now for public agency members, you're employer will need to contract for this benefit to offer it to you as an employee. So let's define what is considered an eligible survivor. First as a spouse or a domestic partner, and that's as long as the marriage or the partnership became effective at least one year prior to your retirement, and is continuous until death. If there's no spouse or domestic partner, then unmarried children under the age of 18 or an unmarried child who became disabled prior to the age of 18 and who's continuing disability renders them incapable of holding a job would receive it. And last on the list would be a parent. So if you have no spouse or domestic partner, or no children that would qualify based on the criteria, then a parent who is economically dependent for at least one-half of your support may be eligible. Now if you don't have anyone on this list, then the benefit won't be paid to anyone.

The amount your survivor receives is based on whether or not you contributed to social security during your CalPERS career. If you contributed to social security, then your eligible survivor will receive 25% of the unmodified allowance or the highest amount payable to you after your death in retirement. If you don't contribute to social security, then the percentage is going to be 50% of the unmodified allowance. Survivor continuance is the same dollar amount regardless of the option you choose. So this is a set dollar amount based on the percentages and there again, it continues to those eligible survivors defined by law. It's also payable to your eligible survivor no matter which option you choose. Or who you name as a beneficiary. So you may choose somebody else to be your beneficiary and you still may have an eligible survivor that they would receive a benefit from.

Okay so now that we've talked about survivor continuance, let's go ahead and move onto the retirement payment options, and the different ones that you can choose at retirement. On the slide you can actually see that we have several different option choices. We have the unmodified in the option 1, and then we also have the options 2 through 4, and those options provide a lifetime monthly benefit to a beneficiary. The option you choose determines what benefits your beneficiary would receive after your death in retirement. And most of the options require a reduction in your monthly retirement income in order to be able to provide that benefit to your beneficiary for life. For the lifetime options, the reduction in your monthly allowance, your monthly retirement, is based on the age difference between you and your beneficiary. So for example if you chose someone who is older than you to receive a lifetime monthly benefit, then the reduction to your income would be lower than if you for example chose your five year old grandchild. When you submit your retirement application, you must elect the payment options. Your beneficiary and survivor can be the same person and if you're married or in a domestic partnership, in most cases it's going to be the same person. However, again you can name someone different to be your beneficiary who is not your survivor. So we're gonna go into an example and this is an example of basically the calculation that Jim went through, where he had a member retiring at age 55. In this case this is Sally Sample, typical CalPERS member getting ready to retire. And she's trying to decide which is going to be the best retirement option for her. In order to learn that, she needs to order a CalPERS generated estimate. In this example, CalPERS uses Sally's account information, this is the same for you, as well as personal information that Sally provided to calculate her option choices. Looking at the example that you see on the screen there, Sally's retiring at age 55, she has 25 years of service, and her benefit factor is 2% based on the 2% at 55 formula. And her final compensation is $2,866.67. She does have an eligible survivor and her employer contracts for survivor continuance. So that continuance, because she actually does contribute to social security, is 25%. And in this case, Sally is naming her husband as her beneficiary and because they have been married at least one year prior to retirement, he is also her survivor. And he is actually a year older than her, he's age 56. So Sally's first option is the unmodified allowance, which is $1,433 per month and that's based on the calculation that you saw Jim do. This is the highest amount that will be payable to her in retirement. And this payment option doesn't provide for a beneficiary. However, again Sally's husband is her eligible survivor so he's going to get the survivor continuance of $358 per month, regardless of which option she chooses. Sally's retirement income is made up of her member contributions, the employer's contributions, and investment earnings. Member contributions are going to be reduced each month and they're paid out as part of your retirement income. For most of us it's going to take approximately 9 to 11 years to actually deplete all of the member contributions. Under the unmodified allowance, if Sally were to pass away prior to all of her contributions being returned to her, then nothing's going to be paid out to a beneficiary. Basically all of those member funds stay within CalPERS. So in order to protect her contributions, Sally actually would need to choose Option 1. Option 1 is going to provide a lump sum payment of any remaining contributions to Sally's husband if she passes away. And you can see on the screen that in order to provide that benefit, Sally's taken a reduction in her option from the unmodified to $1,421 per month. In Sally's case she has $60,000 in contributions and over a 10.82 year period, those contributions are going to be reduced by $462.10 per month. So once she gets past that 10.82 years, all of her contributions have been returned to her. Now, a lot of people think that wow, does that mean my pensions' going to decrease, it's gonna drop because now my contributions aren't, you know, coming in. And the answer's no. Basically your pension stays the same, you continue to receive the same amount for the rest of your life. So just because your member contributions have been paid out to you at that point, your employer and CalPERS investment earnings pick up that amount. Now, as an example if Sally were to pass away five years into retirement, there would be about 50% of those contributions still left in the system. So what the Option 1 does is provide that if she did pass away in that five years, then the balance of that 50% could be paid out to her named beneficiary. Now again even though Sally chose the Option 1, her husband would still receive the survivor continuance of $358 per month, for the rest of his life if she passed away in retirement. Under the Option 1, if Sally, if Sally's husband did pass away prior, you know, before her, then her monthly income isn't going to change. She can actually name somebody else to receive that balance of contributions if he passed away first.

Okay so now that we've covered the first two options, let's go ahead and talk about a monthly lifetime option that would be, that could be provided to a named beneficiary. And we're gonna start with the Option 2. Under Option 2 you can see that Sally's retirement income is reduced to $1,357 per month, and that's going to provide that if she passes away her husband's going to receive a monthly income. Now remember that Sally's husband is both her survivor and her beneficiary so if she passed away, as her beneficiary under Option 2, he's going to receive $999 per month, along with a survivor continuance amount of $358 a month, and adding those together, that actually equals the exact same amount that Sally was receiving in retirement, $1,357 per month. If Sally's husband predeceases her, then her retirement income is going to increase or pop up to the unmodified allowance of $1,433 per month. So the Option 2 allows that pop up. So if she's thinking that possibly her husband is much older and going to pass away before her, then you know this might be a good choice. She can pop up to that higher amount. The next option is the Option 2W. And this is very similar to the Option 2, in that her husband would continue to receive the same amount as Sally after her death in retirement. So you can see that under the Option 2W, Sally's retirement income is $1,369, and that's actually a little bit higher than what she would get under the Option 2. And the reason for this is that Sally has chosen to receive a higher amount now and waive that right to pop up or increase to the higher unmodified allowance if her husband predeceases her. Between the beneficiary amount of $1,011 and the survivor continuance amount her husband again would continue to receive the exact same amount as her, $1,369 per month. If her husband predeceases her, again because there's no pop up, Sally's going to continue to receive the exact same amount.

Let's talk a little bit about the Option 3. Say for example that Sally wants to retire and leave her husband a monthly check but the reduction to her retirement under the Option 2 or 2W, is a little bit too much. Sally needs more income now and her husband has another source of income that he's going to have when he retires, so he doesn't need quite as much from her benefits. So Sally can choose options 3 or 3W to actually meet that need. Under the Option 3, Sally's retirement income is reduced from $1,433 to $1,393 per month. Her husband would receive the amount of $517 per month, and along with the survivor continuance, that would add up to $875 per month for life. Again, depending on the survivor continuance percentage the amount would be anywhere from 50 to 75% for most members. If Sally's husband passes away before she does her retirement income increases or pops up to that unmodified allowance of $1,433 per month, so again Option 3 has that pop up feature. Option 3W, again similar to Option 3 except under Option 3W, Sally's going to waive that pop up if her husband passes away first. Under the Option 3W, her amount is $1,401 and that's a little bit higher than the Option 3 because of that waiving the right to pop up. As with Option 3, the amount of $521 and the survivor continuance of $358 is going to equal $879 per month that would go to her husband. Similar to Option 2W, by waiving, or by taking the higher amount now Sally's waiving that pop up and does not go back up to the highest amount payable, $1,433. If her husband passes away first she continues to receive $1,401 per month. So you might be saying wow, those are a lot of options and for a lot of people, yeah, it's a lot to take in. But at the risk of sounding like an infomercial, but wait there's more. CalPERS offers several more options that allow you to customize your retirement benefits and we're going to go over those briefly now. Okay, so the Option 4, that allows several additional choices. You can choose the 2W and 1 combined or the 3W and 1 combined. These options allow the balance of your contributions to be paid out if both you and your lifetime beneficiary were to pass away prior to all of your contributions being returned to you. Other option choices include leaving a specific dollar amount of a specific percentage to a beneficiary. You can name multiple beneficiaries to receive a lifetime allowance. Keep in mind that the younger they are, the more of a reduction you're going to take because CalPERS anticipates paying those benefits out for a much longer period of time. You can take a reduced allowance for a fixed period of time or a reduction upon the death of a retiree or a named beneficiary. And if you would like more detailed information about these Option 4s, there is a publication that CalPERS offers, it's Publication 18, and this is a guide to CalPERS retirement Option 4 and you can find that in the forms and publications on the CalPERS website. So let's talk a little bit about the retirement estimates. If you request an estimate you're going to receive a calculation for the unmodified allowance and the Option 1. If you provide us with your beneficiary's date of birth you also receive a calculation for the Option 2, 2W, 3, and 3W that we reviewed today, as well as the Option 4 that allows you to combine the Options 2W or 3W with the Option 1. You can request an estimate of your future retirement benefits from CalPERS when you are within three years of retirement. The CalPERS generated retirement estimate provides a calculation of your benefit based on the three factors that we talked about today that Jim went over and it will also have the amount your beneficiary or survivor will receive after you pass away. When requesting an estimate you need to keep in mind that any pay rate increases or special compensation not yet reported by your employer won't be included in your retirement estimate. So Jim, before we go forward do we have any questions?

Jim Cale:
Yeah, we've got a few here. First one, who can be my beneficiary? Do you wanna handle that one?

Laurie Daniels:
Sure. Um, a good thing with CalPERS is it depends. There's actually two types of benefits that are available. The first is a lump sum and that could be your retired lump sum death benefit or the Option 1 balance of the contributions and then the second one is providing a lifetime benefit which is those Option 2

through 4s. If you chose a lump sum or if you have a lump sum benefit you can name anyone you want to receive that benefit. It can be one person, more than one person share and share a like, it can be a corporation, a charity, your estate, it can be a trust. But if you choose an option that includes a lifetime beneficiary you can only choose a person or people, if you chose multiple beneficiary. So there's not a way that you can name a charity to receive a lifetime benefit. And again, if you would like more information about beneficiaries, you can find that information in your member benefit booklet. Okay, do we have another question?

Jim Cale:
Yeah. Can the retirement planning calculator that's online give an estimate for Disability? And I'll go ahead and take that one. Disability calculations can be pretty complex. Disability, Industrial Disability, and some of the Option 4s include too many variables to be performed by our online calculator. So you can submit the estimate request form found under the forms and publications center to request these more complex types of calculations. And last question before we move on here, what's the most popular option? We get this one all the time.

Laurie Daniels:
Common question, very common question.

Jim Cale:
And unfortunately there's no one answer for that. There's no best or most popular option, that's why we offer so many different retirement choices because there isn't one that's gonna work best for everybody. It's a very individual decision as to which option is gonna work best for you. As you consider that question there's a few things you wanna ask yourself to help you answer the question. For instance does someone else depend on your retirement check or will someone else depend on your retirement check? Will they be able to live in the same manner if you were to pass away and your checks stopped? And can you afford to take the reduction in your retirement checks in order to leave a benefit to somebody else? Once you answer those questions it'll give you a better handle on which of those retirement option choices we just went over is gonna work best for you.

Laurie Daniels:
Thank you. We're going to go ahead and move on to our next topic on our agenda and that's the Cost of Living Adjustment, or COLA, and with that I am going to go ahead and turn it back over to Jim.

Jim Cale:
Thank you Laurie. Retirement law provides for the payment of an annual Cost of Living Adjustment to be paid in May and we usually just call those COLAs. The Cost of Living Adjustment is one benefit that can enhance your pension after you retire. COLAs are based on the consumer price index for all US cities as

calculated by the US Bureau of Labor Statistics. They're intended to help protect your pension against inflation. They actually start in the second calendar year of your retirement and then will continue every year thereafter. The COLAs for State and school members is a maximum 2%, public agencies can contract for a different percentage. And here we have the percentages available on this slide. So State and school members get a 2% maximum and what that means is if the rate of inflation is less than 2% then the rate of inflation would be your Cost of Living Adjustment. If there's actually deflation, which I believe if I remember correctly happened a couple of years ago, then the Cost of Living Adjustment can be skipped for a year. State second tier members receive a fixed 3% Cost of Living Adjustment. Public agencies, the benefit can vary, they can contract for 2, 3, 4, or 5% Cost of Living Adjustment. Your retirement date determines when your Cost of Living Adjustment will be paid. The COLA's paid on an annual basis and again you get your first one in the second calendar year of your retirement and every year thereafter and we've got an example on this slide that shows you how it works and this also explains why the end of the year, why December, is such a popular retirement time. If you retire, in this example, if you retire on December 31st, 2011, you'll get your first Cost of Living Adjustment not quite a year and a half later on May 1, 2013. If you wait just one day and retire January 1, 2012, you're gonna have to wait a whole other year, almost two and a half years to get your first Cost of Living Adjustment on May 1, 2014. So no matter when you retire during a particular year, if you retire any time in 2011 you get your first COLA May 1, 2013. You retire anytime in 2012, you get your first Cost of Living Adjustment May 1, 2014. So you can see from this example that you're not going to want to retire into the next calendar year unless you're trying to boost your pension in some other way, like working for a longer period of time at a higher pay rate or until you get to your next birthday quarter. Now let's talk about a few items regarding retirement planning. You probably want to begin planning the details of your CalPERS retirement at least one year before your retirement date, you don't want to wait until the last minute. As part of this planning process you should consider attending another CalPERS retirement class, perhaps one of our instructor-led classes where you can get more one-on-one interaction with the instructor, get some more detailed questions answered. You wanna request a CalPERS generated benefit estimate and review the retirement application booklet. You probably wanna discuss your plans with family and friends and perhaps even consider meeting with a financial advisor. And a quick review. There's a few things you wanna consider when choosing a retirement date. We've talked about all these before but it's nice to see them all in one spot. There's your birthday quarters, remember you want to retire on or after a birthday quarter to maximize your percentage. Then there's the final compensation, you wanna get the highest average pay rate possible so the longer you work under a higher rate of pay the more it's gonna boost your pension up to the period of your final compensation average, either 12 or 36 months. Then there's the Cost of Living Adjustment when you get your first COLA. You don't wanna retire into the next calendar year unless you're trying to boost the pension with the birthday quarters or final compensation. When you're within about 120 days or 4 months from your retirement date you'll want to begin filling out your retirement application. CalPERS offers the "Completing Your Retirement Application" class which will walk you through the process of completing your retirement application. The class is offered online or in-person, and the in-person version, the instructor-led version, can take the place of a one-on-one appointment. When filling out your retirement application keep in mind that your retirement date has to be at least one day after your last day on payroll. The option you choose is irrevocable after the mailing of your first whole retirement check and your signature and your spouse or domestic partner signature will need to be notarized or witnessed by an authorized CalPERS employee. The earliest you can submit your retirement application is 90 days before your retirement date and we'd like to get it as early as possible. The more time you can give us to process your paperwork the better chance we have of starting your payments on time, so the closest you can give us to 90 days the better. You can submit your application by mail to CalPERS Headquarters in Sacramento and if you do that you might want to consider mailing your application by certified mail to be sure it gets here. You can also submit your application in person at the CalPERS regional office nearest you, and this is a nice option if you can make the time because we can review the application for you, make sure it's filled out correct and we can also witness your signature and save you a notary fee. And please keep in mind that if you are submitting your application in person you will need to provide a valid photo ID to verify your identity. After you submit your retirement application CalPERS is gonna send an acknowledgment letter to both you and your employer and shortly before you receive your first full retirement check, CalPERS will send another letter providing you the date of your first retirement check and payment details, as well as income tax information. You'll also receive information about your CalPERS health benefits coverage if applicable and that will come in a separate letter. All right.

Laurie Daniels:
It looks like we have some questions Jim.

Jim Cale:
Yeah we always get questions after those sections.

Laurie Daniels:
One question I have is if my husband receives a monthly check after I die would he still get the Cost of Living Adjustment or increase? And the answer's yes. The COLA works the same way for a beneficiary or survivor so anyone receiving a monthly check from CalPERS would be eligible for those Cost of Living Adjustment increases.

Jim Cale:
All right, next question. I keep hearing from coworkers don't retire after December 31st, please explain why. And the answer to that, we covered that in

the Cost of Living Adjustment section, you remember 12/31 is the date that if you retire on that date that gets you the Cost of Living Adjustment sooner than any other retirement date, that’s why it’s so popular. So again you don’t want to retire into the next calendar year unless you’re boosting your pension in some other way like working until your next birthday quarter or for a longer period of time at a higher pay rate.

Laurie Daniels:
We’ve got one last question before we move on. Do you wanna take this one?

Jim Cale:
Sure. When will I get my first retirement check and how often do I get paid after I retire? Well that depends on your retirement date and when your application was received and processed by CalPERS. In most cases you’ll receive your first check in the first month, the first part of the month following your retirement date. As an example, if your retirement date was September 4, you’ll get your first check for that partial month of September retirement paid around the first week of October. After that, you’ll receive a check every month at the beginning of the month. All right, and let’s move on. We’ve still got quite a bit to cover. See the next topic we’re moving into is the CalPERS Special Power of Attorney form. So you may already have a durable Power of Attorney set up through another resource, however that may not address your CalPERS retirement. So we offer our CalPERS Special Power of Attorney form which is a simple four page document that allows you to designate someone, your attorney in fact, to handle your CalPERS retirement issues for you. Now it cannot be used to confer authority over medical or real or personal property decisions, it only confers authority over your CalPERS retirement. So what would happen to your retirement if you were unable to handle your own affairs? Your attorney in fact can be given authority by you to handle specific issues related to your retirement account. They can contact CalPERS and request information regarding your benefits, as well as endorse the retirement check and change your tax withholding or address. The attorney in fact can submit a retirement application on your behalf if you have not yet been retired and may choose an option for you. If you don’t give specific authority to select a payment option the attorney in fact may only choose Option 1 of the unmodified allowance. Your attorney in fact may be able to designate a beneficiary. If you do not grant this specific authority the attorney in fact cannot designate or change the beneficiary and they are not permitted to designate themselves as beneficiary unless you specifically authorize it with the form. So the CalPERS Special Power of Attorney form can be found via CalPERS On-line or by calling our toll free number, 888 CalPERS which is 888-225-7377. And it looks like we’re getting some quick questions coming in on the POA form Laurie so let’s hit these real quick before we move on.

Laurie Daniels:
Absolutely.

Jim Cale:
So let's see. First one, I already have a durable power of attorney, can I use this instead of the CalPERS one? The answer is maybe. Having a durable power of attorney is great but again it may not address the specifics of your CalPERS retirement, so you can submit us a copy of your current durable power of attorney and our power of attorney unit will review that and see if it will work your CalPERS retirement issues. But again, it's always easy to submit our Special Power of Attorney form, again, it's a simple four page document, it wouldn't supersede anything else in your other power of attorney, it just covers CalPERS retirement issues.

Laurie Daniels:
I've got a couple more questions that I can handle. I have, I'm going in for surgery in December. If I'm hospitalized, can my wife retire me with the power of attorney? And it again depends, number 1 you have to have an approved power of attorney on file with us, so again, having that CalPERS Special Power of Attorney on file, that's going to ensure that whoever you designate will be able to act on your behalf based on the authority that you're going to give them. And this could include applying for retirement or designating a beneficiary. The next question I have is kind of a good one and I think I've actually heard this before. When my wife called CalPERS they want to talk to me first before they can answer her questions. If I had a power of attorney form on file would you be able to help her without talking to me first and the answer is absolutely yes. If we have an approved power of attorney on file and you've named your wife as your attorney in fact then she would be able to call while you're out in the garden gardening or at work and be able to ask questions about your account. Again based on the authority that you give her. So.

Jim Cale:
All right. So the next topic we're going to move on to is retiree health benefits and Laurie, you're up.

Laurie Daniels:
All right, so, CalPERS has health benefits that are available in retirement to those of you who are eligible. All California State University, which is CSU, and State employers offer CalPERS health benefits. If you work for a public agency or school your employer has a contract with CalPERS to offer this benefit. So we've got a poll question here and its does your employer contract with CalPERS for health benefits? It's either yes, no or I don't know. Okay, it looks like the majority so far is a yes and uh, we've got a few no's and I'll address you guys here in a second. And the I don't knows, you'll definitely want to check with your employer to see what health benefits they offer in retirement. Now if you are a public agency or a school member and your employer does not contract with CalPERS for health benefits you'll need to contact them to find out about those health benefits into retirement. And there's some questions that you should ask,

first is number 1, will the coverage continue into retirement and if so, for how long? If it does you should ask how much your employer will pay toward the health premiums. You want to find out if your dependents continue to be covered, and lastly, if you pass away you'll want to find out will family members continue to have health benefits after you die. So those are some important questions to answer. We're going to go ahead and go forward with the CalPERS health benefits information so for those of you who don't have those benefits, you can maybe get up, stretch, use the restroom, get a drink of water, those kinds of things but hang on we've got more to come after that. So when you retire, you're gonna have the same health plan choices available as when you were active as far as your CalPERS health benefits. There's a preferred provider organization and that can be PERS Care, PERS Choice, or PERS Select and these are actually administered by Anthem Blue Cross. There's also the California Association of Highway Patrolmen and that's CAHP. Next is a health maintenance organization and that would be Kaiser or Blue Shield and we also have exclusive provider organization, that's an EPO and that's administered through Blue Shield and limited to just certain counties. So if you'd like a detailed description of these organizations you'll, you can go ahead and visit the website to get that. If you work for your employer that contracts for CalPERS health benefits there are still some requirements that have to be met before you can continue your health into retirement. The first is that you must retire within 120 days of separating from your employer. Now you heard this before when Jim talked about the sick leave, that if you exceed that 120 days and then retire then you're health benefits wouldn't be available to you just like any unused sick leave wouldn't. You must also be eligible for health benefits on the date that you separate and you have to receive a monthly retirement allowance. Health coverage eligibility and the cost of your health plan may vary depending on where you live, your length of employment, the health plan you choose, and your last CalPERS employer before you retired. Specific health plans, covered benefits, monthly rates, and copayments are determined by the CalPERS Board of Administration, and they review those plans annually. To verify retiree contributions for your employer, especially for public agencies and schools, you'll need to contact your employer to see what those rates will be. For State members you can find this information on the CalPERS website for retirees. While you're still actively employed you're not going to be contacting CalPERS about your health benefits, you need to go through your health benefits officer at your job. Okay, so, but once you do retire of course you will contact CalPERS for any questions you have about your health benefits. If you have dependents currently on your health plan they'll continue to be covered after you retire as long as they continue to be eligible. Any dependents that are eligible but they're not enrolled when you retire, they can actually enroll within 60 days after your retirement or can be enrolled during any open enrollment period in the future. Dependents may also be covered after your death in retirement if they receive a continuing monthly benefit and they're eligible for health benefits at the time of death. Now let's talk about what is considered an eligible dependent. Dependent coverage would include a spouse or a registered domestic partner, and coverage can continue up to the age of 26 for children who are natural, adopted, or a stepchild or if a parent-child relationship exists and what this can be for example, a child living with a grandparent and they're carrying the health. Also a certified dependent child, disabled dependent child over the age of 26 if the disability occurred prior to the age of 26. The open enrollment period is held in the fall of each year with changes becoming effective on January 1st of the new year. Changes include switching health plans as well as adding or deleting family members. There's also qualifying events that allow you to change your health plan outside of the open enrollment period. Some examples of that are getting married or entering into a domestic partnership, the birth of a dependent child, loss of coverage or a divorce or dissolution. Moving may also affect your health coverage, you can change your health plan 31 days prior to your move or up to 60 days after you move. Keep in mind that if you do move and don't change your health plan and your health plan is not found within the area that you live then CalPERS will automatically change you over to PERS Choice. There is a health plan zip code locator on our website that you can use to actually look for the health plans that are going to be available in the area that you may be moving to. Once you know what plans are available in that area then you can actually do a side by side comparison by using the health plan chooser tool. Even if the health plan is offered in your area you'll still need to contact CalPERS and update us with your new address so that we can update your health plan. Enrollment in Medicare is also a qualifying event to change your health plan outside of open enrollment or after you retire. Upon reaching the age of 65 in retirement you must complete a certification of Medicare status form and this is where you're going to indicate either that you're enrolled in Medicare Parts A and B, that you're not eligible for Medicare, or that you may be deferring your Medicare because you're covered under a group plan through a current employer or possibly on your spouse's health plan. This form is gonna be automatically sent to you about four months before the age of 65 or when you retire from CalPERS covered employment, whichever's later. Once you and your dependents become eligible, enrollment in CalPERS Medicare health plan is required by law. It's important to know that enrollment isn't automatic so you need to make sure that you're contacting the Social Security Administration to determine your eligibility. Medicare also has a great website that you may want to check out and that website is www.medicare.gov. If you and your dependents are eligible Social Security issues you a Medicare card. You'll need to send a copy of the card along with the Medicare status form to CalPERS. It's important to understand that failure to sign up for Medicare when you first become eligible can actually result in Medicare assessing penalties that can increase your Part B premium for life. It can also lead, in our case, determination or suspense of your CalPERS coverage. So there again, it's just really important to be aware of this. If you're not eligible for Medicare you're not gonna change as far as your health benefits, you're still gonna stay under the same basic coverage. You'll remain in the health plan and you must submit a letter from Social Security letting us know the reason that you're not eligible for CalPERS health benefits, or not eligible for Medicare. And we have several resources available to you if you need more information regarding health benefits. The first is the Health Program Guide and this talks about basic and Medicare health plan eligibility, enrollment and your choices. The Health Plan Summary explains the differences between an HMO and PPO plans. The Evidence of Coverage publication, this reviews the terms and conditions for the different benefits, covered services and copayments for each health plan. And then we have last the CalPERS Medicare Enrollment Guide and this covers how Medicare works with your CalPERS health benefits and when you need to enroll into a CalPERS Medicare plan. And again, for all of these, you can actually download these and view them, or view them on the forms and publications center on the website.

Jim Cale:
Okay Laurie, we've got a few questions coming in on the health benefits here so let's deal with these before we move on. First question, will my wife still have health coverage if I pass away in retirement. I'll go ahead and handle that one.

Laurie Daniels:
Okay.

Jim Cale:
So if you're eligible for health benefits through CalPERS in order for your wife to continue the health benefits after you pass away she must be receiving a monthly check from CalPERS as a survivor or a beneficiary in order to continue the coverage. Now, so if your employer contracts her survivor continuance and your wife qualified as a survivor when you retired, that's not a problem, she'll automatically be getting a survivor continuance amount. However, if you work for a public agency that doesn't contract for survivor continuance, then you'll need to choose an option that provides her with a monthly benefit as a beneficiary, the Option 2s, 3s, or one of the Option 4s. If you choose an unmodified allowance or an Option 1 without a monthly income to your wife then she would not be able to continue the health benefits into retirement. So it's important to choose the right option in order for her to continue the health.

Laurie Daniels:
And the next question we have is I am not enrolled for health benefits currently. Can I add it on when I retire, and yes, it's, as long as you're eligible for CalPERS health benefits at retirement you can add it on after you retire or at the time you retire. And then if you don't add it on within that 60 day window after you retire you'll still have the opportunity at any open enrollment period, so that's good to know. The next question we have, my husband works outside of government service and covers me on his health insurance. I have over 20 years of State employment. Can I pick up my health coverage after I retire? Kind of goes along with that question we just had.

Jim Cale:
Right.

Laurie Daniels:
Retirement is a qualifying event to add your health coverage. Losing your health coverage from your husband would also be a qualifying event where you can pick up, you know, your own health coverage and possibly your husband's at a later date. You can also pick up coverage during any, again, any open enrollment period.

Jim Cale:
Yeah, and again, as long as you're eligible for health coverage at retirement you don't lose the health coverage, you don't lose your eligibility into retirement even if you're not enrolled. Oh, so next question. My employer doesn't have CalPERS health benefits. If I retire can I then get them through CalPERS?

Laurie Daniels:
Very common question, believe it or not.

Jim Cale:
Yeah and unfortunately the answer's no. The employer you retire from determines where you're gonna get your health benefits in retirement. So your employer must contract with CalPERS for health benefits in order to receive CalPERS health benefits in retirement.

Laurie Daniels:
Okay, we're gonna go ahead and move on, we have the next subject which is working after retirement. Exciting thought. As a retiree, you can be self-employed or work for a non-CalPERS employer without any limitations or restrictions and your CalPERS pension is not affected. However, if you do decide to return to a CalPERS employer, there are some restrictions that you actually need to be aware of. There's two ways that you can work for a CalPERS employer after you retire. The first one's the most common, you can return to work with a CalPERS employer as a retired annuitant. And the second one, and I imagine that absolutely nobody is thinking about this is this webinar that we are having today, is that you can actually reinstate as a CalPERS member. So first let's look at the most common of the two and that's working as a retired annuitant. First your position cannot be permanent, full time, or permanent part time, emphasis on the word permanent, cannot be permanent, it must be a temporary position. If you work temporarily for a CalPERS employer as a retiree you won't accrue any additional service credit or any other retirement benefits or rights. You're limited to 960 hours within a fiscal year. If you exceed the 960 hours it could lead to a mandatory reinstatement. Also your salary must be no less than or greater than that of other employees performing the same types of duties. Before accepting employment with any employer it's your responsibility to contact them and ask number 1, do they contract with CalPERS for retirement benefits and number 2, if they do, it's your responsibility to inform them that you are a CalPERS retiree. To return to work with a CalPERS employer as a retiree

you must apply for temporary positions directly through the employer and they're going to decide whether they're going to hire you or not. CalPERS may consider positions with third party employers or independent contractors to be employee-employer relations and so it's important that if you are looking at a position like that, that you submit that job duty statement to CalPERS or that contract to CalPERS because it could be subject to the same rules regarding returning to work after retirement. Once you are hired both you and your employer are going to be responsible to ensure that your employment remains in compliance with CalPERS rules and state law. You don't, I mean you want to make sure that your employment doesn't jeopardize your retirement benefits so that's very important. When you return to work temporarily for any CalPERS employer, CalPERS may require a waiting period if you're over the benefit formula age showing your retirement formula. So for example if you're over the age of 55 and you're under the 2% at 55 formula then there's actually no waiting period and you can return to work for any CalPERS employer, even the day after you retire. Now if you're under your retirement formula, so for example if you're age 53 and you're under the 2% at 55 formula, there's a mandatory 60 day waiting period after you separate from your employer before you can return to work. Additionally, you can't make a pre-arranged agreement with that employer to return to work after you retire. If your retirement is based on more than one benefit formula, so for example if you're under the 2% at 55 formula but you also have time under a 3 at 60 formula, then the 3 at 60 formula is the one that's going to base your eligibility, that's what your eligibility is going to be based on. Employment found to be in violation of CalPERS rules or the State law can result in a mandatory reinstatement from retirement and that would be retroactive to the date of the unlawful employment. What this means is that you could be required to number 1, reimburse the amount of retirement allowance you received from CalPERS while unlawfully, while you were unlawfully employed, as well as paying retroactive member contributions and interest as an active employee again. If you would like more information about working after retirement then there is a publication that you may want to check into, it's called Publication 33 and it's "Employment After Retirement." Now we'll get to the probably less common, especially for those of you in the audience today, if you return to work for a CalPERS employer in a permanent position then you must reinstate from retirement into active employment. Could be a good thing, in this way you can earn more service credit and then you can re-retire at a later date, maybe a higher pay rate could be involved. If you do plan on reinstating to an employer other than the one that you retired from you need to be aware of some things that could happen though. There's other benefits such as a Golden Handshake or health benefits that could be affected. For example, if you retired from an employer that offers CalPERS health benefits and you were fully vested for those benefits, you could lose those benefits, or you would lose those benefits because if you go to another employer who offers a different type of health benefits after you retire then it's gonna be under whatever they offer, you couldn't then come back after you re-retire and pick up your CalPERS health benefits that you had under the previous employer. To voluntarily reinstate from retirement into active employment with a CalPERS covered employer there is a form that you'll need to complete, it's in the "Reinstatement from Service Retirement" application and that's publication 37, a "Guide to CalPERS Reinstatement from Retirement" and that's at CalPERS On-line. Before we get to some more of your questions there is some more information that we're gonna cover about the resources that are available to you as a CalPERS member. Once you retire you may want to keep informed about issues that are important to you so in this topic we're gonna actually talk about some of the ways that you can keep informed and where you can find this information. There's several ways to stay informed after retirement. There's CalPERS On-line, tons of information there, eSubscription, the PERSpective newsletter, and my|CalPERS. The first is eSubscriptions. These are actually alerts that CalPERS sends directly to you via email. You can sign up for one or all of the eSubscription alerts being offered. The first one we see on the list is the CalPERS ePress alerts, this would send you a notification any time CalPERS releases, has a press release. There's the CalPERS eAgenda alerts and this gives you a direct line to Board of Administration meeting notices and agenda as soon as they're available. There's the CalPERS eNews and this is a newsletter that's sent out twice a month. And finally we have the CalPERS Employer eBulletin and this is where you can get information about the latest employer related news and information. If you'd like more information on the eSubscriptions you definitely wanna go online and check those out. The next in line is the PERSpective newsletter and this is something that typically comes in the mail along with all of the magazines and the ads and you really want to make sure that you're opening this up and reading it. This is actually sent out three times a year. For active members it's based on your employment category so there are different ones sent depending on who you work for whether it's a State agency, a public agency or a school. And then we have a fourth version of the PERSpective and that's for those who are already retired. Again, you can actually view these online and it's gonna provide you with a lot of valuable information and updates about the programs, benefits and services that CalPERS offers, so definitely make sure it doesn't end up in the junk pile before you read it. Most services available at CalPERS On-line do not require a user name or password. You can use the service credit cost estimator to get an estimate of the cost for several different types of service credit. We also have the retirement planning calculator and this would allow you to calculate your retirement allowance based on various scenarios. Just an FYI, we talked a little bit earlier about when you're within three years you can request a CalPERS generated estimate, but if you're more than three years away this is a great tool to use for those what if scenarios, what if I get a pay raise, what if I change employers. So I would definitely encourage you to go out and use that calculator. If you use the version in my|CalPERS it will actually pre-populate some of the information for you. We talked earlier during the health section about the tools that you can use online, we have the health plan chooser and the health plan search by zip code tool. You can also find additional information through the CalPERS Forms and Publications center. And again, CalPERS is gonna be just as relevant after you retire as when you were an active member.

When you go to the website and log in you can change your member view and change it to retired member and then you'll be able to just get all the information that pertains to retirees. So my|CalPERS. Hopefully most of you have registered for that. This is a phenomenal resource for you and this is where you're going to find personal information in a secure area using your username and password. And there's several tools and services that you can use. So there's My Profile and this is where you're gonna be able to update your contact information and your online account profile. We have My Account Info and this is where you can view information about your employment and service credits. In My Health Summary, you can see information about your current health plan as well as who you have covered under your health plan. There's My Statements and while you're actively employed you can see your annual member statement here, and once you retire, you're gonna actually be able to get your benefit and tax statements here. Under My Statuses you'll see the statuses of any service credit purchases that you're in the process of or if you've applied for a disability retirement. My Planning Tools, this is where you can actually calculate your retirement estimate, you can estimate service credit costs or you can request that CalPERS generate a retirement estimate. So again, My Planning Tools, this is going to be a great resource for you. My Education. This is where you can access the CalPERS education center. You can register for online classes, you can enroll is instructor-led classes and you can also schedule an appointment at one of our regional offices. I want to encourage you the website, CalPERS website, the CalPERS education center, the online classes are terrific and you can take those at your own pace. So even though for example a class similar to this planning your retirement is 2-1/2 hours long, you could take, you know, work on it for an hour, you can come back in 15 minutes, work on 10 minutes, and so on and so forth. The last is My Financial Planning Tools, and this link actually provides additional information for the defined contribution plans that may be available to you.

We've got some exciting things coming up in 2012. And the future of my|CalPERS is looking even brighter because we're actually going to be rolling out our member expanded self-service tools. And this is gonna allow you to do a lot more of your CalPERS business online. A gain safely and securely and it's gonna give you control of your total benefit picture in one place. Some of these things that are coming up is being able to apply for retirement or service credit purchase elections, so you'll be able to do that online. You're gonna be able to view balances that are, that are owed on a service credit purchase and even possibly make changes to your service credit payment schedule. It'll also allow you to view more of your own account information, view and change your beneficiaries, track the status of inquiries and a whole lot more. So you definitely want to keep an eye on the CalPERS website because as more information becomes available, it'll be out there for you.

Along with the CalPERS On-line resources, a great way of keeping up with the latest information is the use of social networking. A lot of you have either gotten onto Facebook or Twitter and so you can actually now Follow Us on Twitter or you can Like Us at Facebook. You can also find great informational videos by going to the video center on our website. All of our videos content is actually published to the CalPERS YouTube channel, and on YouTube you can actually subscribe to our videos, share them, or you can even embed them into your own website.

Let's talk about how you can contact CalPERS. Okay, online there are numerous ways you can contact CalPERS. Online by Ask CalPERS, by phone, by mail or you can visit a CalPERS regional office. Basic questions and general information about various CalPERS-related issues can be quickly addressed and you can do that by using the Ask CalPERS feature. You're going to find information about retirement, health benefits, supplemental savings, so those kinds of questions can come into us. When you submit a question, you'll want to let us know how you want to be responded to. Either by phone, email or letter. For 24-hour service, you can try the CalPERS automated phone system and we can actually answer most questions in a few simple steps. We have CalPERS representatives that are available from 8:00 to 5:00 Monday through Friday and in most cases they can assist you in a single call. Keep in mind the busiest times to contact CalPERS by phone are the first of the month, Mondays and the day after a holiday. And we now offer a call back feature so you can avoid waiting on hold. And our phone number is listed on the slide, it's 888 CalPERS, or 888-225-7377. In some cases, you can contact CalPERS by mail. When corresponding with CalPERS by mail, you need to keep the following in mind. The average response time currently is 30 to 60 days. And if an inquiry requires a lot more research it can take longer. CalPERS has eight regional offices located throughout California and there are staff there that will assist you with a variety of services and educational events. And you can have your retirement questions answered. You can contact our customer contact center or go online to make an appointment for that. Before visiting our office, there's some suggestions: to be prepared, read and complete any necessary forms and applications, bring supporting documents. For example if you're choosing an option, you'll need to bring your beneficiary's birth certificate, request an estimate from CalPERS, and have that mailed to your home. Attend a retirement class or check out some of the additional retirement planning services online. Also write down any specific questions that you may have.

Okay. So we have covered a ton of information today. And as we get ready to handle a couple of your questions as we have time, we have a short survey that we'd like you to participate in. Your input and suggestions are going to be very important. They're going to help us provide a better webinar and better educational services to you in the future. So we want you to definitely take advantage of that. Any questions that are not answered today will be posted on the CalPERS website along with a video, slideshow and a transcript of this webinar. So, Jim do we have time for one or two questions?

Jim Cale:
I think so. I'd just like to reiterate on the survey. Be sure to answer all six questions if you could and scroll down to the bottom and hit that submit button at the end. If you don't hit the submit button, we don't get any of your answers. Let's see so we do have some questions coming in. "Do you need an appointment when visiting a CalPERS office?" No you don't need an appointment, but we do offer walk-ins. We can help people who just walk in. However, you want to keep in mind that if you walk in it can be a long wait time. You may wait over an hour, so if you preschedule an appointment it's gonna minimize your wait time. Also, for walk-ins, walk-in appointments are usually no more than 20 minutes long so you may require a follow-up appointment anyway. So it's always best if you can find time to preschedule an appointment and keep in mind they fill up quick, so you'll need to plan ahead.

Laurie Daniels:
We have another pretty common question here. "Can I take a loan from my CalPERS retirement account?" And unfortunately current law doesn't allow you to borrow from or make a loan against the member contributions that you have in your account. There's no provisions for any kind of emergency or hardship loan. So the only way you can access those funds is if you separate from all CalPERS employment.

Another question. "I received my annual member statement but it didn't include the amount my employer contributes to PERS. Why not?" Good question. Well your employer makes contributions to CalPERS and these are used to fund the cost of your future retirement benefits. These contributions are paid by your employer for the employees as a group rather than to each member's specific account. So the contributions CalPERS receives are kept in your employer's account and used to fund all employee benefits.

Jim Cale:
And it looks like we're out of time. So thank you everyone for joining Laurie and I today for our CalPERS "Planning Your Retirement" webinar. So this concludes our presentation and thank you for attending.